

(1) Parent-subsidiary controlled groups as defined in 26 CFR 1.1563-1(a)(2).

(2) Brother-sister controlled groups as defined in 26 CFR 1.1563-1(a)(3).

(3) Combined groups as defined in 26 CFR 1.1563-1(a)(4). Also, the rules for a controlled group of corporations apply in a similar fashion to groups which include partnerships and/or sole proprietorships. If one entity maintains more than 50% control over a group consisting of corporations and one, or more, partnerships and/or sole proprietorships, all are members of a controlled group.

(c) *Foreign-trade zone.* A foreign-trade zone established and operated pursuant to the Act of June 18, 1934, as amended.

(d) *Person.* This term includes an individual, a trust, estate, partnership, association, company, or corporation. It also includes any State or political subdivision thereof, or any agency or instrumentality of a State or political subdivision thereof.

(e) *Regional Director (Compliance).* The principal regional official responsible for administering regulations in this part.

(f) *Tax-increase dates.* As specified in Public Law 101-508, 104 Stat. 1388, the tax-increase dates for purposes of imposition of the floor stocks tax on cigarettes are January 1, 1991, and January 1, 1993.

§ 296.193 Alternate methods or procedures.

The Director may approve alternate methods or procedures, subject to stated conditions, where the Director finds that there is good cause for use of the alternate method or procedure, the alternate method or procedure is within the purpose of, and consistent with the effect intended by, the prescribed method or procedure, and affords equivalent security to the revenue, and the alternate method or procedure is not contrary to any provision of law, and will not result in an increase in cost to the Government or hinder the effective administration of this subpart. No alternate method or procedure relating to the assessment, payment or collection of tax, shall be authorized under this paragraph. A proprietor who wishes to use an alternate method or

procedure shall submit a written application to the regional director (compliance) for transmittal to the Director. The application should describe the alternate method or procedure and the reasons for its use. The proprietor may not use an alternate method until the application has been approved by the Director. The Director may withdraw approval for any alternate method or procedure if the revenue is jeopardized or the effective administration of this subpart is hindered by such approval.

(Approved by the Office of Management and Budget under control number 1512-0504)

§ 296.194 Scope of tax.

(a) *General.* Subject to the exceptions set forth in this section, the floor stocks tax is imposed on all Federally taxpaid or tax determined cigarettes which are held by any person for sale at the first moment of the respective tax increase dates of January 1, 1991, and January 1, 1993. Cigarettes subject to floor stocks tax are regarded as held for sale by the one who owns them at the first moment of each respective tax-increase date, although at the time the articles may be in transit to the owner, or in a warehouse, storeroom or distributing depot, and shall be included in the return and inventory of the owner. If ownership does not pass to the consignee until delivery, cigarettes in transit at the first moment of each respective tax-increase date shall be regarded as owned or held by the consignor at that time.

(b) *Exception.* The floor stocks tax is not imposed on cigarettes held for sale by any person on the first moment of any tax-increase date if:

(1) The aggregate number of cigarettes held by such person on each such date does not exceed 30,000. If such person's inventory includes large cigarettes more than 6½ inches in length, each 2¾ inches or fraction thereof of the length of each shall be counted as one cigarette; and

(2) Such person complies with the inventory requirements of § 296.198 and the tax return filing requirements of § 296.197 of this part. A controlled group may only claim the exception if the aggregate number of cigarettes held by all members of the controlled group on